Public Version

BEFORE THE TRADE POLICY STAFF COMMITTEE

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

In the Matter of Public Comments on Potential Action Under Section 203 of the Trade Act of 1974 With Regard to Imports of Certain Steel

REQUEST OF INA USA CORPORATION TO EXCLUDE CERTAIN PRODUCTS FROM IMPORT RELIEF UNDER SECTION 203

Submitted by:

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A. Executive Summary

Pursuant to the public comment notice published by the Office of the United States Trade Representative in the Federal Register on October 26, 2001, 66 FR 54321, INA USA Corporation ("INA USA") hereby requests that the following products be excluded from any import relief that the President might impose in the pending Section 201 steel investigation under Section 203(a) of the Trade Act of 1974:

1. Certain uncoated cold-rolled strip (grades C80M and 16MnCr5M2).
2. Certain bonderized cold-rolled strip (grades C15M, MRST443, 16MnCr5M, and C16M).
3. Hot-rolled bar of ball-bearing steel, less than 30 mm in diameter.
4. Wire rod of ball-bearing steel.
5. Cold-worked bar of ball-bearing steel, less than 30 mm in diameter.

Imports of these products have not been a source of or contributor to any injury to the domestic steel industry but are crucial to INA USA's manufacture of bearings and other precision products. Subjecting these products to quota restraints or additional duties would impose serious hardship on INA USA without providing any meaningful benefit to the domestic steel industry.

B. Product Exclusion Requests

INA USA Corporation, headquartered in Fort Mill, South Carolina, is a U.S. producer of antifriction and linear bearings and precision engine components. It is a tier one supplier to the automotive industry and also produces bearings for other OEM applications and for general distribution sales.

All of INA USA's production is dependent on steel as an input material. By the nature of INA USA's products, the steels it purchases are engineered and developed for very specific applications, and the manufacturing process for each part produced by INA USA is set up around a particular specification of steel. While some of the steels--such as 52100 bar, rod, wire, and tube--are common to the bearing industry, others have been developed to meet the requirements of specific customer applications. Some of the steels are specialized European grades that are not commonly used or produced in this country.

The bearing industry has a fairly stable and well developed manufacturing supply base, consisting of a limited number of suppliers in the U.S. and abroad who are capable of producing the grades and sizes of steels that are needed for bearing production. The range of supply available to INA USA is limited in two respects. First, the steel producer must have a commitment to participating in the bearing steel market. This is a niche market, and many steel companies have concluded that servicing this market, with its relatively small size, rigorous technical demands, and special chemistries, does not fit their business plans. Second, the steel producer must demonstrate the ability to meet INA USA's specifications, which are driven by INA USA's desire to produce products of the highest quality in the most efficient manner possible, as well as by specific customer requirements. As a QS9000 registered company, INA

USA has very strict processes in place to qualify suppliers of material for use in its products, which may also include obtaining customer approval. For every new steel supplier that INA USA develops and introduces into its production, there are many others that are unable to demonstrate the technical and quality controls that are a prerequisite to being a supplier of steel to the bearing industry in general and to INA USA in particular.

INA USA is involved in a highly specialized market that has extremely rigid quality standards and procedures, and the change from one steel to another for a particular application can take months or years to validate. Different recipes for steel cause the metal to react differently in the tooling and machinery. Physical characteristics such as hardness or hardenabilty, fatigue limits, etc. all are affected by the chemical make up and the production method of the steel, and quality control and freedom from defects vary from producer to producer. The trial process to qualify a new steel grade may require changes in custom made tooling, heat treat procedures, and production methods, as well as costly man-hours in both production and engineering. If the trial demonstrates that a product does not work in a particular application, or if a customer does not accept the revised part, the process must start all over again with a different grade or procedure. Thus, once a grade of steel is approved for a production of a particular part, it is difficult and costly to attempt to change to a different grade or supplier.

The vast majority of the steel purchased by INA USA is domestic in origin. However, as discussed more specifically below, there are certain types and grades of bearing quality steel that INA USA must purchase from foreign suppliers because the particular grades are not available from domestic steel producers or are not available in the requisite quality. INA USA requests that these steel products be excluded from any import relief imposed by the President under Section 203(a), since imports of the products have not contributed to injury to the domestic industry, and access to the products is essential to INA USA's production.

Information in response to the specific information requests in the October 26, 2001 notice is set forth below for each of the products for which INA USA requests exclusion.

1. Certain Uncoated Cold-Rolled Strip

(a) Designation and HTS Number

(i) Commercial Name: C80M and 16MnCr5M2 uncoated cold-rolled strip.
(ii) HTS Number: 7226.92.8050

(b) Physical Description

Uncoated cold-rolled strip of a width less than 300 mm and a thickness exceeding 0.25 mm, produced to the following chemistries:

(Approximated)	C80M	16MnCr5M2
C	.70	.11
Si	.30	.20
Mn	.30	.85
P	.03	.025
S	.02	.01
P+S		.03
Cr	.35	.95
Cu	.10	.15
Ni	.20	.15
N		.01
Al	.02	.08
O2	.001	
Ti	.003	
Sn	.01	

(c) Basis for Exclusion Request

Grades C80M and 16MnCr5M2 cold-rolled strip are made to chemistries that were developed in Europe. INA USA's parent company in Germany has developed manufacturing processes using these grades for manufacture of specific articles in INA's product line, and access to these grades is essential to INA USA's production of such articles.

U.S. producers have had little, if any, interest in producing these specialized grades, and INA USA has been totally dependent on imports for this material. As discussed below, INA USA is seeking to qualify a U.S. producer for supply of one of these products, but the qualification process has not yet been completed.

(d) Names and Locations of Producers

The only source presently qualified by INA USA to produce C80M strip is Edelstahlwerke Buderus AG, Buderusstraße 25, 35576 Wetzlar, Germany, and the only source presently qualified by INA USA to produce 16MnCr5M2 strip is Roechling Kaltwalzwerk, Oberlochen, Germany. These companies, which are small specialized cold-rolled steel producers in Germany, produce the respective grades for consumption not only by INA USA, but also by other INA affiliates.

[ ] presently is in the qualification process with INA USA for supply of [ ] strip. Until the process is complete, INA USA will not know whether the [ ] material will meet INA USA's qualification requirements.

No other U.S. steel producer has indicated an interest in producing C80M or 16MnCr5M2 cold-rolled strip for INA USA. This presumably is because INA USA's annual consumption of these materials is quite small by steel industry standards, and the technical and quality requirements for the material are very high. Most steel producers have no interest in making special melts of steel for such small quantity demand, particularly where the steel must meet rigorous specifications.

(e) Total U.S. Consumption

Estimated and projected U.S. consumption of C80M and 16MnCr5M2 cold-rolled strip are set forth below, based on INA USA's purchases of these products.

Estimated (indexed)	Quantity (ST)	Value (USD)
1996	100	100
1997	118	118
1998	124	124
1999	135	136
2000	651	673

Projected (indexed)	Quantity (ST)	Value (USD)
2001	1,110	954
2002	960	820
2003	960	820
2004	960	820
2005	960	820

(f) Total U.S. Production

As far as INA USA is aware, there has not been any U.S. commercial production of these products.

(g) U.S.-Produced Substitutes for the Products

There are no direct replacements for C80M and 16MnCr5M2, and substituting other grades of steel, even if possible, would be very expensive and require a long lead time. This could make it infeasible for INA USA to continue U.S. production of certain parts if access to this material was restricted by import relief.

2. Certain Bonderized Cold-Rolled Strip

(a) Designation and HTS Number

(i) Commercial Name: C15M, MRST443, 16MnCr5M, and C16M, bonderized strip.

(ii) HTS Numbers:

C15M and MRST443	7212.50.0000
16MnCr5M and C16M	7226.92.8050

(b) Physical Description

Cold-rolled strip of a width less than 300 mm and a thickness exceeding 0.25 mm produced to the following chemistries and coated (bonderized) on one side with a special phosphate coating:

(Approximated)	C15M	MRST443	16MnCr5M	C16M
C	.16	.10	.13	.20
Si	.20	.10	.20	.15
Mn	.40	.80	1.25	1.25
P	.025	.04	.02	.025
S	.020	.03	.01	.015
P+S			.03	.03
Cr	.30		1.2	.90
Cu	.30		.12	.15
Ni	.45		.15	.15
N		.007	.008	.009
AL	.15	.18	.08	.08

(c) Basis for Exclusion Request

Grades C15M, MRST443, 16MnCr5M, and C16M bonderized strip are made to chemistries that were developed in Europe. INA USA's parent company in Germany has developed manufacturing processes using these grades for manufacture of specific articles in INA's product line, and access to these grades is essential to INA USA's production of such articles.

Bonderized strip is coated on one side with a phosphate-based coating that serves as a lubricant during the production process. INA USA has a bonderizing facility at which it coats certain sizes of strip that it purchases domestically. However, the facility cannot be used to bonderize the C15M, MRST443, 16MnCr5M, and C16M strip required by INA USA because of the dimensions of these particular products. Accordingly, INA USA must rely on its European supplier to bonderize these products. These grades of bonderized strip are not available from any U.S. producer, and INA USA is wholly dependent on imports for this material. The U.S. producer that is seeking to qualify for production of one of the uncoated strip chemistries required by INA USA does not have bonderizing capability.

(d) Names and Locations of Producers

The only producer of which INA USA is aware that has the capability to produce and bonderize C15M, MRST443, 16MnCr5M, and C16M cold-rolled strip is Roechling Kaltwalzwerk, Oberlochen, Germany. This company, which is a small specialized cold-rolled steel producer in Germany, produces these products for consumption not only by INA USA, but also by other INA affiliates.

(e) Total U.S. Consumption

Estimated and projected U.S. consumption of C15M, MRST443, 16MnCr5M, and C16M bonderized strip are set forth below, based on INA USA's purchases of these products.

Estimated (indexed)	Quantity (ST)	Value (USD)
1996	100	100
1997	92	118
1998	123	124
1999	135	136
2000	90	94

Projected (indexed)	Quantity (ST)	Value (USD)
2001	88	92
2002	88	92
2003	88	92
2004	88	92
2005	88	92

(f) Total U.S. Production

INA USA is not aware of any U.S. production of these products.

(g) U.S.-Produced Substitutes for the Product

There are no U.S. produced substitutes for C15M, MRST443, 16MnCr5M, and C16M bonderized strip.

3. Certain Hot-Rolled Bar of Ball-Bearing Steel

(a) Designation and HTS Number

(i) Commercial Name: 52100 hot-rolled bar.
(ii) HTS Number: 7228.30.2000

(b) Physical Description

Grade 52100 (and equivalent foreign designation) hot-rolled bar less than 30 mm in diameter. 52100 steel is a special chemistry of steel used by the bearing industry. 52100 and equivalent steel comes within the definition of "ball-bearing steel" set forth in HTSUS Chapter 72, Additional U.S. Note 1(h). Accordingly, the scope of the exclusion request is hot-rolled bar of ball-bearing steel less than 30 mm in diameter.

(c) Basis for Exclusion Request

INA USA requires 52100 hot-rolled bar in sizes under 30 mm in diameter as a manufacturing input material for various of its products. There is no qualified U.S. producer of 52100 or equivalent hot-rolled bar in these sizes. Therefore, INA USA has no choice but to purchase such material from foreign producers.

(d) Names and Locations of Producers

Foreign mills that produce 52100 or equivalent hot-rolled steel bar of acceptable quality in diameters under 30 mm include Ovako Stahl AB in Sweden and Kawasaki Steel and Aichi Steel in Japan.

One U.S. mill, i.e. Republic Steel, has the capability to produce 52100 bar in the sizes needed by INA USA, and at one time INA USA purchased hot-rolled bar from Republic. However, INA USA encountered severe and repetitive quality problems with the Republic material, including surface defects and seams, and therefore it had to remove Republic as a qualified supplier. Such defects cannot be tolerated in INA USA's production, since they would lead in turn to defects in the finished products.

The Timken Company produces 52100 hot-rolled bar, but it does not produce such bar in the small diameters required by INA USA. In the U.S. International Trade Commission phase of this proceeding, Timken acknowledged that it does not produce 52100 hot-rolled bar in the sizes needed by INA USA, but suggested that it could send intermediate steel products to a third party to create the desired product, under a tolling or other contractual arrangement. Timken Long Products Brief, October 2, 2001, p. 4 and Exhibit A, pp. 3-4. However, Timken's ability and desire to provide this product on a commercial basis are unproven, particularly in light of the coordination and quality control problems that would have to be overcome. Timken has never expressed an interest in supplying such products to INA USA, nor has it sought to qualify such products produced by third parties.

(e) Total U.S. Consumption

Estimated and projected U.S. consumption of 52100 hot-rolled bar are set forth below, based on U.S. import statistics for HTS number 7228.30.2000, "Other bars and rods of other alloy steel/Other bars and rods, not further worked than hot-rolled, hot-drawn or extruded/Of tool steel (other than high speed steel)/Of ball-bearing steel." Import statistics for this HTS number include all diameters of hot-rolled bar of ball-bearing steel, while INA USA seeks exclusion only of bar less than 30 mm in diameter. INA USA has no way of determining the respective amounts of bar included in this HTS number greater than and less than 30 mm in diameter.

Estimated	Quantity (ST)	Value (USD)
1996	6,359	$4,657,215
1997	12,932	$8,925,555
1998	13,799	$8,863,749
1999	21,556	$12,551,846
2000	20,094	$12,060,030

Projected	Quantity (ST)	Value (USD)
2001	20,000	$12,000,000
2002	20,000	$12,000,000
2003	20,000	$12,000,000
2004	20,000	$12,000,000
2005	20,000	$12,000,000

(f) Total U.S. Production

There is no U.S. production of 52100 hot-rolled bar 30 mm or less in diameter of acceptable quality.

(g) U.S.-Produced Substitutes for the Product

There are no U.S.-produced substitutes for this product.

4. Wire Rod of Ball-Bearing Steel

(a) Designation and HTS Number

(i) Commercial Name: 52100 wire rod.
(ii) HTS Numbers: 7227.90.1030 and 7227.90.2030.

(b) Physical Description

Grade 52100 (and equivalent foreign designation) wire rod. 52100 steel is a special chemistry of steel used by the bearing industry. 52100 and equivalent steel comes within the definition of "ball-bearing steel" set forth in HTSUS Chapter 72, Additional U.S. Note 1(h). Accordingly, the scope of the exclusion request is wire rod of ball-bearing steel.

(c) Basis for Exclusion Request

INA USA uses 52100 needle wire to produce rollers for needle bearings. It purchases such wire from both U.S. and foreign sources. The Commission made a negative injury determination with respect to wire products, including 52100 needle wire, but made an affirmative injury determination with respect to wire rod, including 52100 wire rod. Therefore, wire rod for domestic production of needle wire remains potentially subject to import restraints.

The limitations described above with respect to availability of 52100 hot-rolled bar apply also to 52100 wire rod. Timken does not produce wire rod, and the quality problems in Republic's production preclude use of its material for making needle wire. Thus, domestic wire drawers must import 52100 wire rod in order to produce 52100 needle wire. If imports of 52100 wire rod are subjected to additional duties or quotas, 52100 needle wire will become unavailable from domestic sources, because their input costs will become non-competitive.

(d) Names and Locations of Producers

Foreign mills that make 52100 wire rod of acceptable quality for needle wire include Nedstall in the Netherlands, Saarstahl in Germany; and Daido in Japan.

While there are a number of wire rod producers in the United States, as far as INA USA is aware none produces bearing quality 52100 wire rod. The domestic wire rod industry itself

has excluded 52100 wire rod (i.e. wire rod of ball-bearing steel, classified under HTS numbers 7227.90.1030 and 7227.90.2030) from its petitions for import relief, thus indicating that imports of this product are not a source of concern to the industry.[1]

(e) Total U.S. Consumption

Estimated and projected U.S. consumption of 52100 wire rod are set forth below, based on U.S. import statistics for HTS numbers 7227.90.1030, "Bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel/Other/Of tool steel (other than high speed steel)/Not tempered, not treated, and not partly manufactured/Of ball-bearing steel," and 7227.90.2030, "Bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel/Other/Of tool steel (other than high speed steel)/Other/Of ball-bearing steel."

Estimated	Quantity (ST)	Value (USD)
1996	63,695	$65,673,236
1997	43,971	$44,642,367
1998	62,049	$56,888,860
1999	55,055	$43,576,968
2000	66,637	$54,178,930

Projected	Quantity (ST)	Value (USD)
2001	67,000	$55,000,000
2002	67,000	$55,000,000
2003	67,000	$55,000,000
2004	67,000	$55,000,000
2005	67,000	$55,000,000

(f) Total U.S. Production

There is no U.S. production of 52100 wire rod of acceptable quality.

(g) U.S.-Produced Substitutes for the Product

There are no U.S.-produced substitutes for this product.

5. Certain Cold-Worked Bar of Ball-Bearing Steel

(a) Designation and HTS Number

(i) Commercial Name: 52100 cold-worked bar.

[1] See Certain Steel Wire Rod, Investigation No. TA-201-69, USITC Pub. 3207 (July 1999), pp. I-3, n. 1, II-3; Notice of Initiation of Antidumping Duty Investigations: Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Trinidad and Tobago, Ukraine, and Venezuela, 66 Fed. Reg. 50164, October 2, 2001; Notice of Initiation of Countervailing Duty Investigations: Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Trinidad and Tobago, and Turkey, 66 Fed. Reg. 49931, October 1, 2001.

(ii) HTS Number: 7228.50.1010

(b) Physical Description

Bearing quality 52100 (and equivalent foreign designation) cold-worked bar under 30 mm in diameter. This product is within the HTSUS definition of "ball-bearing steel" as set forth in HTSUS Chapter 72, Additional U.S. Note 1(h). Accordingly, the scope of the exclusion request is cold-worked bar of ball-bearing steel under 30 mm in diameter.

(c) Basis for Exclusion Request

INA USA requires bearing quality 52100 steel cold-worked bar in sizes under 30 mm in diameter as a manufacturing input material. As discussed above, there is no qualified U.S. producer of hot-rolled 52100 bar in these sizes. As a result, cold-working facilities in the U.S. are dependent on imported 52100 hot-rolled bar as the input for producing cold-worked bar of acceptable quality in these sizes. Import restraints on 52100 hot-rolled bar would result in shortages or prohibitive cost for domestic production of cold-worked bar, resulting in non-availability of this product. Even if hot-rolled bar is excluded from import restraints, INA USA anticipates that quality and other constraints would limit the availability of domestically produced cold-worked bar.

(d) Names and Locations of Producers

INA USA purchases cold-drawn bar produced by Miyazaki Steel of Japan.

(e) Total U.S. Consumption

Estimated and projected U.S. consumption of 52100 cold-worked bar are set forth below, based on U.S. import statistics for HTS number 7228.50.1010, "Other bars and rods of other alloy steel/Other bars and rods, not further worked than cold-formed or cold-finished/Of tool steel (other than high speed steel)/Of ball-bearing steel." Import statistics for this HTS number include all diameters of cold-worked bar of ball-bearing steel, while INA USA seeks exclusion only of bar less than 30 mm in diameter. INA USA has no way of determining the respective amounts of bar included in this HTS number greater than and less than 30 mm in diameter.

Estimated	Quantity (ST)	Value (USD)
1996	2,863	$3,116,820
1997	2,708	$3,180,745
1998	4,239	$4,771,436
1999	4,266	$4,693,726
2000	4,796	$5,158,311

Projected	Quantity (ST)	Value (USD)
2001	4,800	$5,200,000
2002	4,800	$5,200,000
2003	4,800	$5,200,000
2004	4,800	$5,200,000
2005	4,800	$5,200,000

(f) Total U.S. Production

INA USA does not have a basis for estimating U.S. production of 52100 cold-worked bar 30 mm or less in diameter.

(g) U.S.-Produced Substitutes for the Product

There are no U.S.-produced substitutes for this product.

C. Conclusion

For the reasons set forth above, INA USA Corporation requests exclusion of the above-described products from any import relief that the President may impose under Section 203(a) of the Trade Act of 1974. The requested exclusions are consistent with the statutory criteria governing import relief, since imports of the products have not been injurious to the domestic industry, and imposing additional tariffs or quotas upon such products would unnecessarily burden U.S. production by a consuming industry.

INA USA asks that the bracketed information in this submission be treated as confidential. The bracketed tables on page 3 and page 5 contain confidential information regarding the specific chemistries of input material purchased by INA USA. The bracketed tables on page 4 and page 6 contain confidential information regarding the estimated and projected amount of INA USA purchases of certain input materials. The bracketed narrative at the bottom of page 3 contains confidential information regarding efforts by INA USA to develop a U.S. source of supply of a particular input material.

Please feel free to contact me if the Committee has any questions or requires any further information about these exclusion requests.

Respectfully submitted,

/s/

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